Community Development Commission

March 11, 2009

TO: Each Supervisor

FROM: Cordé D. Carrillo, Acting Executive Director

SUBJECT: PROGRAMS OF THE COMMUNITY DEVELOPMENT COMMISSION (CDC) AND HOUSING AUTHORITY (HACoLA) ELIGIBLE TO RECEIVE FUNDING FROM H.R. 1, THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

The following is an overview of H.R. 1, ARRA, which was signed into law by President Barack Obama on February 17th, 2009. This summary outlines the overall funding available in each category and provides corresponding descriptions for the programs addressed in the legislation. The appropriate federal Departments will allocate funding for these programs either through allocation or competition to the CDC/HACoLA.

Currently there are no published regulations from which to determine eligible activities and implementation guidance for many of the programs, except those that were provided in the initial legislation, such as:

- Priority should be given to contracts based on bids within 120 days from the date funds are made available;
- Funds must be expended within strict timelines ranging not longer than 2-3 years; and
- All of the programs will require separate planning, accounting, monitoring, and reporting.

At this point, it is important to note that some programs did not have administrative funding designated as part of the legislation. We will need to wait until the regulations are released to determine whether administrative funding will be allowed.

PROGRAMS ELIGIBLE TO RECEIVE FUNDING

Economic Development Assistance (EDA) - $150 Million
EDA programs are usually awarded on a competitive basis and specifically aim to leverage private investment, stimulate employment, and increase incomes in economically distressed communities. ARRA allocates $150 million to fund these programs. Of this, $50 million will be for economic adjustment assistance where the Secretary of Commerce shall give priority consideration to areas of the Nation that have experienced sudden and severe economic dislocation and job loss due to corporate restructuring.

Although the methodology for distribution is unclear in ARRA language, the CDC will seek to obtain funding in accordance with the following goals (if applicable):

- Increase the size of its revolving business loan program, which was originally capitalized with an EDA grant;
- Increase the size of the CDC's highly successful Community Business Revitalization program; and

- Leverage the grants with its existing Business Technology Center (BTC) to assist more high technology start up companies.

Energy Efficiency and Conservation Block Grant (EECBG) - $3.2 Billion
When the EECBG was authorized under the Energy Independence and Security Act of 2007, $10 billion was authorized for FFYs 2008-2012 but never appropriated. ARRA allocates $3.2 billion to EECBG, of which, $2.8 billion will be available through formula grants and $400 million will be awarded on a competitive basis. As no funding has yet been available, EECBG will be a new program and may encompass a variety of activities including, but not limited to, energy audits, financial incentive programs such as loans, rebates, fee waivers, grants to non-profits for energy retrofits, and education programs and energy improvements to government buildings. Further, it is unclear at this time how the funds will be allocated.

Public Housing Capital Fund (CF) - $4 Billion
Of the $4 billion that is included in ARRA for the CF, $3 billion will be allocated using the existing FFY 2008 formula. Under this fund, $7,401,512 will be made available by formula grant to HACoLA.

The remaining $1 billion will be available on a competitive basis (guidelines yet to be determined by the U.S. Department of Housing and Urban Development (HUD)) to leverage private capital and for energy conservation retrofit investments. PHAs are to give priority to capital projects that can award contracts within 120 days of enactment, with preference given to vacant rental units. HACoLA will apply for funding in conjunction with the following activities:

- Leveraging private sector funding and/or financing for housing renovations and energy conservation;
- Rehabilitating units to improve energy efficiency, reduce energy costs, or preserve/improve units with good access to public transportation or employment centers;
- Rehabilitating vacant units to expedite occupancy or by filling an investment gap for redevelopment/replacement housing projects stalled due to an inability to obtain anticipated private capital; and
- Addressing the needs of seniors and persons with disabilities through improvements to housing and related facilities which attract coordinated delivery of supportive services.

Community Development Block Grant (CDBG) - $1 Billion
CDBG funds are used to provide affordable housing, services, and jobs for the most vulnerable residents of Los Angeles County. Generally, appropriations are allocated annually to the County by HUD, who determines the amount of each grant by using a formula comprised of several measures of community need including the extent of poverty, population, and overcrowded housing. ARRA allows for the additional allocation of $1 billion in CDBG funds in the same manner in which the FFY 2008 funding was allocated - based on the current formula which takes into account not only the demographics of the County unincorporated areas, but that of our 47 participating cities as well.

Of the $1 billion, ARRA allocates $7,977,162 in CDBG funding to the County. Further, the bill requires that priority must be given to projects that can award contracts based on bids within 120 days from the date funds are made available. Projects that meet this requirement include:

- CDC Single Family Grant Rehabilitation;
- CDC Handyworker Program; and
- Completing Phase 1 of the Florence Firestone Streetscape Project.

We are currently awaiting the regulations to determine if there are limitations on the eligible activities. At this time, we do not know if there are any CDBG administrative funds or public services available to the County through this grant.

Neighborhood Stabilization Program (NSP) - $2 Billion
NSP is the HUD program created last year under the Housing and Economic Recovery Act of 2008 (HERA) to support State and local efforts to stabilize neighborhoods with high numbers of abandoned and foreclosed-upon homes. From HERA, the County will be receiving $16.8 million to provide loans to eligible participants to purchase foreclosed or abandoned homes in targeted areas in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. An additional $2 billion has been made available for this program in ARRA. The method of allocation, however, will be by competition (as opposed to a formula, as was the case when $3.9 billion in NSP funding was awarded to States and certain local governments on October 6, 2008). For this program, the County will compete with other jurisdictions as well as non-profit organizations based on the areas with the greatest number/percentage of foreclosures. HUD has yet to release the applicable competitive grant guidelines.

HOME - $2.25 Billion
HOME provides formula grants to States and localities that communities use to fund a wide range of activities that build, buy, and rehabilitate affordable housing for rent. In FFY 2008, $1.628 billion was made available for HOME programs nationally. The $2.25 billion provided by ARRA is an additional amount for capital investments in Low-Income Housing Tax Credit (LIHTC) projects.

ARRA HOME funds will be allocated to State tax credit allocating agencies based on the percentage of HOME funds each State (including its participating jurisdictions) received for FFY 2008. State agencies will then distribute the funds competitively to project owners who receive LIHTCs. Allocating agencies must award funds competitively giving priority to projects expected to be completed within three (3) years of bill enactment. The State of California will be receiving $325,877,114, but at this time, it is not known how much of this will be awarded to the CDC.

Homelessness Prevention – $1.5 Billion (Known as Emergency Shelter Grant in the Legislation)
Of the $1.5 billion, ARRA allocates $12,197,108 to the County for homelessness prevention and helping people who are already homeless. As such, the use of these funds is expanded to include short-term rental assistance, housing relocation, and stabilization services for families. At least sixty (60%) percent of the funds must be spent within two (2) years and all funding must be spent in three (3) years. This is not the same as a traditional Emergency Shelter Grant

(ESG), however, in that HUD used the formula in Section 413 of Subtitle B of title IV of the McKinney-Vento Homeless Assistance Act to distribute funds. This is also the formula HUD uses for the allocation of CDBG funds, which again takes into consideration the demographics of the County unincorporated areas and 47 participating cities.

The program has a five (5) percent administrative cap which translates to $609,855 for the County. Given that this grant will have new program requirements, the CDC will retain a portion of the five (5) percent administrative allocation for internal expenses. In the current and past years, the traditional ESG grant of $1.3 million has been passed through in its entirety to the Los Angeles Homeless Services Authority (LAHSA). However, the emphasis of this new funding is significant in that funds are to be used to keep families in their homes and to assist those that have recently become homeless due to the economic downturn.

Assisted Housing/Energy Retrofit - $2.25 Billion
ARRA allocates $2.25 billion for "Project-Based Rental Assistance" pursuant to Section 202, Section 811, or Section 8. Of this, $2 billion is available for "Project-Based Rental Assistance" for payments to owners for 12-month periods and $250 million is for grants or loans for energy retrofits and green investments in assisted housing. Eligible owners must have at least a satisfactory management review rating, be in substantial compliance with applicable performance standards/legal requirements, and commit to an additional period of affordability determined by HUD.

The bill does not specify whether these funds are allocated on a formula or competitive basis and it is unclear how much, and for what specific purposes, funding will be available. As such, a precise funding amount is not known at this time. Regardless of how the funds are allocated, however, the CDC will apply to use part of the $250 million to renovate and retrofit aging units as well as those needing energy efficiency for Section 202, Section 811, and project-based Section 8 units. Although the CDC/HACoLA does not own or manage any Section 202 or Section 811 units, the HACoLA is interested in pursuing funding for the modernization and rehabilitation of their project-based Section 8 units – Kings Road and Lancaster Homes.

If you have any questions, please contact me at (323) 890-7400, or Terry Gonzalez, Director, CDBG Division, at (323) 890-7150.

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c: Each Deputy
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